

**ALTA MUNICIPAL BROADBAND  
COMMUNICATIONS UTILITY**  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
AND SCHEDULE OF FINDINGS  
DECEMBER 31, 2004

**David A. Maske**  
Certified Public Accountant  
Spencer, Iowa 51301

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## ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

### OFFICIALS

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Tom French	Trustee	June, 2005
Dennis Weber	Trustee	June, 2006
C. Alan Wadsley	Trustee	June, 2008
Kevin Walsh	Trustee	June, 2009
Jeff James	Trustee	June, 2010

# DAVID A. MASKE

## Certified Public Accountant

110 West 4<sup>th</sup> Street - Suite # 205  
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712/262-6087  
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### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Alta Municipal Broadband Communications Utility  
Alta, Iowa

I have audited the accompanying financial statements listed as exhibits in the table of contents of this report of Alta Municipal Broadband Communications Utility, a component unit of the City of Alta, Iowa, as of December 31, 2004, and for the year then ended. These financial statements are the responsibility of the Utility's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alta Municipal Broadband Communications Utility as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principals.

As described in Note 10, during the year ended December 31, 2004 the Utility adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statements No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my reports dated February 3, 2005, on my consideration of the Alta Municipal Broadband Communication Utility's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. Those reports are an integral part of an audit performed in accordance with General Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 4 and page 11 are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. I applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

**David A. Maske**  
Certified Public Accountant

February 3, 2005  
Spencer, Iowa

# **ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED DECEMBER 31, 2004**

Alta Municipal Broadband Communications Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended December 31, 2004. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

#### **2004 FINANCIAL HIGHLIGHTS**

- Operating revenue of the Utility-wide activities increased 19.9%, or approximately \$182,400 from fiscal 2003 to fiscal 2004. This was primarily from telephone revenue.
- Operating expenses increased 10.2%, or approximately \$79,500 in fiscal 2004 from fiscal 2003.
- The Utility's total net assets increased 17.4%, or approximately \$170,700 from December 31, 2003 to December 31, 2004. Total liabilities increased 26.1% or approximately \$109,500.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

The Utility's basic financial statements consist of balance sheets, statements of revenue, expenses and changes in retained earnings and states of cash flows. The statements provide information about the activities of the Utility as a whole and present an overall view of the Utility's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Other Supplementary Information provides detailed information about the Utility's funds.

#### **BASIS OF ACCOUNTING**

The Utility maintains its financial records on accrual basis and the financial statements of the Utility are prepared on that basis.

#### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better off or worse off as a result of the year's activities?" The Balance Sheets report information helps answer this question.

The Balance Sheets presents the Utility's net assets. Over time, increases or decreases in the Utility's net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

#### *Financial Statements*

The required financial statements include a statement of revenue, expenses and changes in retained earnings.

## UTILITY WIDE FINANCIAL ANALYSIS

A summary of the changes in retained earnings follows:

	Year Ended December 31,	
	2004	2003
Revenue:		
Telephone Utility	\$ 635,295	\$ 486,978
CATV & Internet	<u>283,818</u>	<u>249,687</u>
Total Revenue	<u>\$ 919,113</u>	<u>\$ 736,665</u>
Expenses:		
Telephone Utility	\$ 477,022	\$ 408,699
CATV & Internet	<u>380,898</u>	<u>369,753</u>
Total Expenses	<u>\$ 857,920</u>	<u>\$ 778,452</u>
Net Income (Loss)	\$ 61,193	\$ (41,787)
Investment in Municipality- Beginning of Year	<u>560,256</u>	<u>602,043</u>
Investment in Municipality- End of Year	<u>\$ 621,449</u>	<u>\$ 560,256</u>

## BUDGETARY HIGHLIGHTS

Over the course of the year, the Utility did not exceed its budget.

## DEBT ADMINISTRATION

At December 31, 2004, the Communications Utility had no outstanding bonds and notes

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives.

# **BASIC FINANCIAL STATEMENTS**

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**BALANCE SHEET**  
**DECEMBER 31, 2004**

**ASSETS**

	TELEPHONE	CATV & INTERNET	TOTAL
<b>CURRENT ASSETS:</b>			
Cash In Bank -----	\$ 264,718	\$ -0-	\$ 264,718
Accounts Receivable -----	192,270	25,696	217,966
Prepaid Expenses -----	1,804	1,789	3,593
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 458,792</u>	<u>\$ 27,485</u>	<u>\$ 486,277</u>
<b>UTILITY PLANT:</b>			
Utility Plant in Service -----	\$ 133,340	\$ 745,451	\$ 878,791
LESS – Accumulated Depreciation -----	(37,838)	(177,243)	(215,081)
<b>TOTAL NET UTILITY PLANT</b>	<u>\$ 95,502</u>	<u>\$ 568,208</u>	<u>\$ 663,710</u>
	<u>\$ 554,294</u>	<u>\$ 595,693</u>	<u>\$ 1,149,987</u>

**LIABILITIES AND INVESTMENT**

<b>CURRENT LIABILITIES:</b>			
Cash in Bank – Deficit -----	\$ -0-	\$ 52,051	\$ 52,051
Accounts Payable -----	105,350	333,285	438,635
Other Current and Accrued Liabilities -----	4,309	1,031	5,340
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$ 109,659</u>	<u>\$ 386,367</u>	<u>\$ 496,026</u>
<b>DEFERRED REVENUE -----</b>	<u>\$ 16,328</u>	<u>\$ 16,184</u>	<u>\$ 32,512</u>
<b>INVESTMENT OF MUNICIPALITY:</b>			
Contributed Capital -----	\$ 116,262	\$ 825,566	\$ 941,828
Retained Earnings (Deficit) -----	312,045	(632,424)	(320,379)
<b>TOTAL INVESTMENT OF MUNICIPALITY</b>	<u>\$ 428,307</u>	<u>\$ 193,142</u>	<u>\$ 621,449</u>
	<u>\$ 554,294</u>	<u>\$ 595,693</u>	<u>\$ 1,149,987</u>

See accompanying notes to financial statements.



**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**STATEMENT OF OPERATIONS AND INVESTMENT OF MUNICIPALITY**  
**YEAR ENDED DECEMBER 31, 2004**

	TELEPHONE	CATV & INTERNET	TOTAL
<b>OPERATING REVENUE:</b>			
Sale of Cable Services:			
Basic Cable-----	\$ -0-	\$ 160,950	\$ 160,950
Premium Channels-----	-0-	13,009	13,009
Sale of Telephone Services:			
Local-----	108,713	-0-	108,713
Long Distance-----	40,955	-0-	40,955
Access Fees-----	478,814	-0-	478,814
Internet-----	-0-	103,572	103,572
Miscellaneous-----	6,813	6,287	13,100
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 635,295</b>	<b>\$ 283,818</b>	<b>\$ 919,113</b>
<b>OPERATING EXPENSES:</b>			
Operating Expenses:			
Wages and Benefits-----	\$ 22,084	\$ 24,886	\$ 46,970
Supplies-----	3,524	5,259	8,783
Utilities-----	5,592	5,592	11,184
Other Expenses-----	1,221	988	2,209
Circuit Fees-----	19,921	-0-	19,921
Basic CATV Programming-----	-0-	100,875	100,875
Premium Channel Programming-----	-0-	7,670	7,670
Internet Fees-----	-0-	48,182	48,182
Cab Fees-----	142,707	-0-	142,707
Switching Fees-----	79,143	-0-	79,143
Long Distance Fees-----	22,395	-0-	22,395
Access Fees-----	38,683	-0-	38,683
Billing Fees-----	21,889	-0-	21,889
Depreciation-----	6,727	11,179	17,906
Joint Use Fees-----	30,000	80,000	110,000
<b>Total Operating Expenses</b>	<b>\$ 393,886</b>	<b>\$ 284,631</b>	<b>\$ 678,517</b>
Distribution Expenses:			
Wages and Benefits-----	\$ 3,350	\$ 238	\$ 3,588
Operating Expenses and Supplies-----	59	59	118
Depreciation-----	2,981	34,863	37,844
<b>Total Distribution Expenses</b>	<b>\$ 6,390</b>	<b>\$ 35,160</b>	<b>\$ 41,550</b>
Administrative and General Expenses:			
Wages and Benefits-----	\$ 42,308	\$ 33,262	\$ 75,570
Office Supplies and Postage-----	4,802	4,745	9,547
Insurance – Employees-----	4,971	6,830	11,801
Insurance – General-----	3,603	3,559	7,162
Professional Fees-----	5,825	3,350	9,175
Telephone-----	3,345	1,423	4,768
Public Relations-----	3,811	453	4,264
Bad Debts-----	602	404	1,006
Technical Support-----	4,700	4,700	9,400
Dues and Subscriptions-----	859	489	1,348
Meeting and Travel-----	154	-0-	154
Other Expense-----	1,766	1,892	3,658
<b>Total Administrative and General Expenses</b>	<b>\$ 76,746</b>	<b>\$ 61,107</b>	<b>\$ 137,853</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 477,022</b>	<b>\$ 380,898</b>	<b>\$ 857,920</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 158,273</b>	<b>\$ (97,080)</b>	<b>\$ 61,193</b>
Investment of Municipality – January 1	270,034	290,222	560,256
<b>INVESTMENT OF MUNICIPALITY – DECEMBER 31</b>	<b>\$ 428,307</b>	<b>\$ 193,142</b>	<b>\$ 621,449</b>

See accompanying notes to financial statements

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2004**

	TELEPHONE	CATV & INTERNET	TOTAL
CASH PROVIDED (USED) BY OPERATIONS:			
Net Income (Loss) -----	\$ 158,273	\$ (97,080)	\$ 61,193
Adjustments for Non-Cash Items:			
Depreciation and Amortization -----	9,708	46,042	55,750
	<u>\$ 167,981</u>	<u>\$ (51,038)</u>	<u>\$ 116,943</u>
Adjustments for Working Capital Changes:			
(Increase) in Accounts Receivable -----	(46,132)	(2,768)	(48,900)
(Increase) in Prepaid Expenses -----	(105)	(90)	(195)
Increase in Accounts Payable -----	33,266	81,526	114,792
Increase in Other Liabilities -----	305	199	504
Increase (Decrease) in Deferred Revenue -----	407	(102)	305
(Decrease) in Cash in Bank Deficit -----	-0-	(6,058)	(6,058)
CASH PROVIDED (USED) BY OPERATIONS	<u>\$ 155,722</u>	<u>\$ 21,669</u>	<u>\$ 177,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to Utility Plant -----	(364)	(21,669)	(22,033)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 155,358	\$ -0-	\$ 155,358
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>109,360</u>	<u>-0-</u>	<u>109,360</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 264,718</u>	<u>\$ -0-</u>	<u>\$ 264,718</u>

See accompanying notes to financial statements

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Alta Municipal Broadband Communications Utility is a component unit of the City of Alta. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Alta Municipal Broadband Communications Utility provides cable, internet, and telephone services to consumers in Alta, Iowa. Sales of cable, internet, and local telephone services are billed on the 25<sup>th</sup> of the month for service through the end of the following month. Alta Municipal Broadband Communications Utility is billed by their cable and internet providers on a calendar month basis.

Sales of long distance telephone services are billed on the 25<sup>th</sup> of each month for usage through the 20<sup>th</sup> of the month. Alta Municipal Broadband Communications Utility is billed by their telephone providers on a calendar month basis.

Deposits and investments are carried at cost which approximates market value.

Depreciation of utility plant is being computed by the straight-line method over the estimated useful life of the property.

Cost of labor, materials, supervision, and other expenses incurred in making normal repairs and minor replacements, and in maintaining the properties in efficient working condition are charged to expense. Plant accounts are charged with the costs of improvements and replacements, except minor replacements.

Prepaid expenses are amortized using the straight-line method over the estimated useful life.

Vacation vested is recorded as a liability when earned by employees.

For the purpose of reporting cash flows, cash and cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

The Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

**NOTE 2 - CASH AND POOLED INVESTMENTS**

The Utility's deposits in banks at December 31, 2004 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3.

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 3 - PENSION AND RETIREMENT BENEFITS**

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contributions to IPERS for the year ended December 31, 2004 was \$6,268, equal to the required contribution for the year.

**NOTE 4 - RISK MANAGEMENT**

Alta Municipal Broadband Communications Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

**NOTE 5 - SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK**

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Alta, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

**NOTE 6 - UTILITY PLANT**

A summary of changes in fixed assets is as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Utility Plant in Service – Telephone .....	\$ 132,976	\$ 364	\$ -0-	\$ 133,340
Utility Plant in Service – CATV & Internet.....	\$ 723,782	\$ 21,669	\$ -0-	\$ 745,451

**NOTE 7 - RELATED PARTY TRANSACTION**

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Alta Municipal Broadband Communications Utility and the Alta Municipal Utilities have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$110,000 on or before the first day of May each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is 40 years and the first payment became due May 1, 2003. The statement of operations reflects an expense for the year of \$110,000; the balance sheet at December 31, 2004 includes a total accrued payable of \$402,500.

**NOTE 8 - COMPENSATED ABSENCES:**

The Utility's employees accumulate vacation, sick leave, and "comp time" hours for subsequent use. The employees receive payment for accumulated vacation and "comp time" hours upon termination, retirement, or death, and therefore the appropriate liability has been recorded on the Utility's records.

The employees are not compensated for accumulated sick leave hours upon termination, retirement, or death.

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 9 - INTEREST EXPENSE:**

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The Utility had no capitalized interest during the year.

**NOTE 10 –ACCOUNTING CHANGE:**

Governmental Accounting Standards Boards Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences were implemented for the year ended December 31, 2004. The statements create new basic financial statements for reporting the Utility's financial activities.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**BUDGETARY COMPARISON OF REVENUE, EXPENSES AND**  
**CHANGES IN BALANCES**  
**YEAR ENDED DECEMBER 31, 2004**

	ACTUAL	BUDGET	VARIANCE FAVORABLE UNFAVORABLE
REVENUE:			
Services -----	\$ 919,113	\$ 723,410	\$ 195,703
EXPENSES: -----	<u>857,920</u>	<u>859,306</u>	<u>1,386</u>
NET INCOME (LOSS)	\$ 61,193	\$ (135,896)	\$ 197,089
Investment of Municipality – January 1	<u>560,256</u>	<u>560,256</u>	<u>-0-</u>
Investment of Municipality – December 31	<u>\$ 621,449</u>	<u>\$ 424,360</u>	<u>\$ 197,089</u>

See accompanying independent auditor's report.

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**DECEMBER 31, 2004**

In accordance with the Code of Iowa, the Utility annually adopts a budget, following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.



# DAVID A. MASKE

## Certified Public Accountant

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Spencer, IA 51301

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Trustees  
Alta Municipal Broadband Communications Utility  
Alta, Iowa

I have audited the financial statements of Alta Municipal Broadband Communications Utility, as of and for the year ended December 31, 2004 and have issued my report thereon dated February 3, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Alta Municipal Broadband Communications Utility's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Alta Municipal Broadband Communications Utility's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Alta Municipal Broadband Communications Utility's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions describe above, I believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved, except for 04-I-A and 04-1-B

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alta, Iowa and other parties to whom Alta Municipal Broadband Communications Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Utility during the course of my audit.

Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

**David A. Maske**  
Certified Public Accountant

February 3, 2005  
Spencer, Iowa

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 2004**

**PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

04-I-A **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

**Recommendation** - I realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

**Response** - Alta Utilities plans to cross train office help as time and workload allows. This should help to eliminate the handling of incompatible duties by an individual employee.

**Conclusion** - Response accepted.

04-I-B **Electronic Data Processing Systems** - During my review of internal control, the existing control activities in the Utility's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Utility's computer based systems were noted:

The Utility does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- requiring user profiles to help limit access to those who have a legitimate need.

Also, the Utility does not have a written disaster recovery plan.

**Recommendation** - The Utility should develop written policies addressing the above items in order to improve the Utility's control over computer based systems and a written disaster recovery plan should be developed.

**Response** - The Utility will investigate the existence of model policies that can be tailored to fit the need of our utilities. If no policies exist, the Utility will develop written policies as time allows.

**Conclusion** - Response accepted.

**ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 2004**

**PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:**

- 04-II-A      **Official Depositories** - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2004.
- 04-II-B      **Certified Budget** - Utility expenditures, in the Broadband Communications Utility, during the year ended December 31, 2004 did not exceed the amounts budgeted.
- 04-II-C      **Questionable Expenditures** - I noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-II-D      **Travel Expense** - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.
- 04-II-E      **Business Transactions** - I noted no business transactions between the Utility and the Utility's officials.
- 04-II-F      **Bond Coverage** - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G      **Trustee Minutes** - No transactions were found that I believe should have been approved in the Trustee minutes but were not.
- 04-II-H      **Deposits and Investments** - I noted no instances of non-compliance with the deposits and investment provision of Chapter 12B and 12C of the Code of Iowa.